CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 4, 1999

H.R. 440
Microloan Program Technical Corrections Act of 1999

As ordered reported by the House Committee on Small Business on February 3, 1999

CBO estimates that enacting this bill would not have a significant effect on the federal budget. Assuming the availability of appropriated funds, we estimate the Small Business Administration (SBA) would spend less than $500,000 to review the requirements for loan loss reserves of microloan intermediaries. Because enactment of this bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

Under the microloan program, SBA provides grants, loans, and loan guarantees to nonprofit organizations, which act as intermediaries and use the funds to provide small businesses with technical assistance and loans ranging from $100 to $25,000. The bill would eliminate a provision of current law that limits the amount of loan funds that intermediaries within a single state can receive under the microloan program. H.R. 440 also would clarify the requirements for loan loss reserves of intermediaries. Current law requires intermediaries to maintain loan loss reserves equal to 15 percent of their notes receivable. The bill would permit SBA to reduce the requirements for loan loss reserves for those intermediaries with historical loss rates of less than 15 percent during the previous five years. Finally, H.R. 440 would set the requirement for loan loss reserves to be no less than 10 percent and no more than 15 percent. Changing the requirement for loan loss reserves could affect the subsidy rate for the microloan program, but any such effect would be negligible.

H.R. 440 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have a significant impact on the budgets of state, local, or tribal governments.

The CBO staff contact is Mark Hadley. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.